Transcript of Opening Statement by Senator Kent Conrad (D-ND)
at Democratic Policy Committee Hearing on Bush 'Stimulus' Plan
January 21, 2003

Thank you Senator Dorgan, and a special thanks to the witnesses for being here today. We appreciate that very much. I would just like to set, from my perspective, the background that we have to consider any proposal against. You'll recall in January 2001, we were told that there was going to be nearly $6 trillion of surpluses over the next decade, and how dramatically that has now changed. We look at January of this year, and instead of $5.6 trillion of surpluses in the period from 2002 to 2011, we see $1.6 trillion in deficits – that's if the President's policies are adopted.

If we examine the package that the President has put before us – stimulus package, growth package, however it is termed – I think the first thing that jumps out at you is that it is ineffective. Ineffective because if you look at the total cost, which is over $900 billion when interest costs that are associated with it are calculated, only $36 billion is effective in the first fiscal year. That is less than five percent. So 95 percent of the cost is after the period of economic weakness, the period that it would make sense to provide stimulus for the economy. Some will ask, 'I thought the President has said it is $58 billion the first year.' That's true, but he has not used a fiscal year basis, which is the typical scoring regime. Instead, he has looked at the first calendar year, kind of an unusual way. I think it reflects a defensiveness on the part of the administration, because they know this is a seriousness weakness and vulnerability to their plan. Again, only $36 billion of stimulus this year with $900 billion of cost over the next decade.

Then on the question of fairness, which is a test that has to apply to any plan, I think one sees that it is also terribly unfair. For those who are in the middle income category in this country – you know they divide up income categories in equal 20 percent groupings – and if you take the middle 20 percent, they get a benefit of $265. Those who earn a million dollars a year get a benefit of over $88,000. Now the President, when he unveiled this plan, said it was fair. I must say I don't see anything fair about it. If this is the test of fairness, then we've got a very serious problem in the country. If the President's idea of fair is that those earning over a million dollars a year get $88,000 of help, and those that are in the middle 20 percent income category in this country get on average $265, something is radically wrong. I wouldn't say that's in hailing distance of fairness.

Next I think one has to evaluate the fiscal responsibility of the plan. And this chart shows over the last 20 years where we've been with deficits. You can see that for two years we were able to climb out of deficits without using Social Security to pay for tax cuts or the other expenses of government. Those were two years during the Clinton era when you saw every year of the Clinton presidency we were reducing deficits. And we actually got to the point for two years where we stopped the raid on Social Security, something everyone has pledged to do. And yet under the President's plan we have plunged back into deficits. And if we adopt his policies, which is the bottom dotted line, you'll see we are not out of deficit the whole rest of the decade. In fact, we're using trillions of dollars of Social Security money to provide for this tax cut and other expenses of government.

Why does that matter so much? Let me just focus on this for a moment. This shows very clearly that if we adopt the President's policies we're going to be taking money from Social Security the entire rest of this decade, and not by trivial amounts, but by trillions of dollars. Why does it matter? Well it matters because we're about to see a very dramatic change. Right now, we're in the sweet spot of the fiscal cycle. This is the Medicare Trust Fund, and you can see that in this period, starting in 2002 through 2016, the trust fund is running surpluses. But that's about to change. Medicare goes cash negative in 2016 and then it goes sharply negative. This is the message I think that has to be received by our colleagues and by the American people. We're in a circumstance unlike anything we've ever faced before.

Let me just conclude by showing Social Security, which is even more dramatic. Again, we're in the sweet spot now. Those trust funds are running substantial surpluses now. But they are about to turn to significant deficits, and when they turn, they turn in a very dramatic way. This is a window of opportunity to get ready for that challenge and for that time. And the President's answer is to dig the hole deeper. I think it is reckless. I think it is profoundly mistaken. It's one thing to give lift to the economy when the economy is weak, but the vast majority of the President's plan is at a time when he's forecasting strong economic growth and at a time when the federal government will be under enormous pressure because of the retirement of the baby boom generation.